Salt Enhanced Property Fund Fact Sheet – December 2023

Manager Profile

Salt Funds Management is a boutique investment management firm wholly owned by its employees which specialises in actively seeking to maximise returns while managing the risks of the investment. Salt examines investments for their environmental and social impact as well as the quality of their governance.

Investment Strategy

The Salt Enhanced Property Fund targets a portfolio of shares of New Zealand and Australian property trusts, companies and other property-related securities with exposure to commercial, residential, retail, tourism, industrial, medical, educational, rural, retirement, and other property sectors. The Fund may also, at our discretion, short sell securities, hold cash, lever its assets and utilise active currency management to generate returns.

Fund Facts at 31 December 2023

Benchmark	S&P/NZX All Real Estate Gross Index
Fund Assets	$24 million
Inception Date	11 December 2014
Portfolio Managers	Matthew Goodson, CFA Nicholas Falconer, MBA

Unit Price at 31 December 2023

Application	1.4757
Redemption	1.4697

Investment Limits

The limits for the Enhanced Property Fund are shown below:

Gross Equity Exposure[1]	70% – 200%
Net Equity Exposure[1]	70% – 100%
Unlisted Securities[1]	0% – 5%
Cash or Cash Equivalents	0% – 30%

1. To NZ and Australian property and property-related securities.

Fund Exposures at 31 December 2023

Long Exposure	101.34%
Short Exposure	5.13%
Gross Equity Exposure	106.47%
Net Equity Exposure	96.21%

Fund Allocation at 31 December 2023

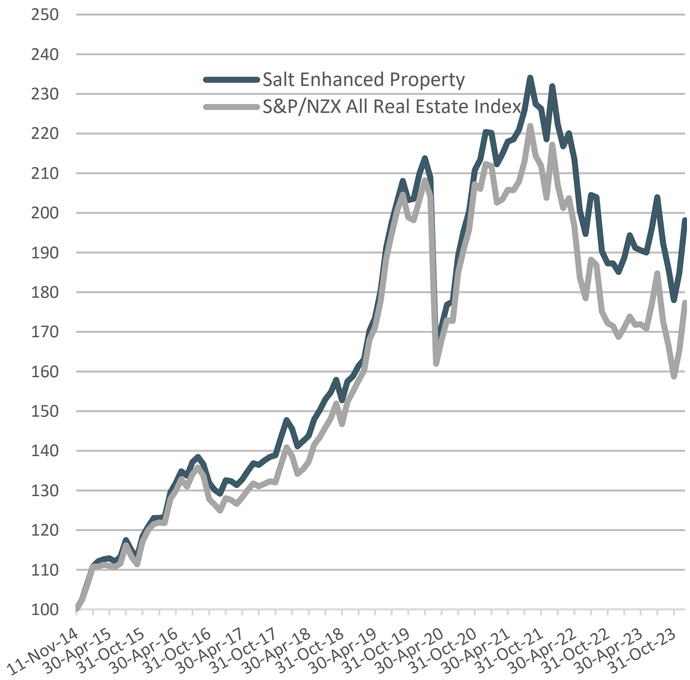
NZ Listed Property Shares	87.56%
AU Listed Property Shares	8.49%
Cash & Cash Equivalents	3.94%

Fund Performance to 31 December 2023

Period	Fund Return	Benchmark Return
1 month	7.16%	7.25%
3 months	6.58%	6.48%
6 months	1.05%	0.47%
1 year	5.57%	5.47%
2 years p.a.	-8.21%	-9.48%
3 years p.a.	-3.94%	-5.53%
5 years p.a.	4.23%	2.93%
7 years p.a.	6.09%	5.28%
Inception p.a.	7.60%	6.57%

Performance is after all fees and does not include imputation credits or PIE tax.

Cumulative Strategy Performance to 31 December 2023



Fund performance has been rebased to 100 from inception.
Past performance is not a reliable indicator of future performance and no representation or warranty, express or implied, is made regarding future performance.

Top Overweights	Top Underweights/Shorts
GDI Property Group	Precinct Properties NZ
Asset Plus	Goodman Property Trust
Elanor Commercial Property Fund	Property For Industry
Servcorp	Investore Property
Millennium & Copthorne Hotels	Kiwi Property Group

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Property Market Commentary

The S&P/NZX All Real Estate Gross Index gained +6.6% in the December quarter, in a reverse performance of the prior quarter this was largely driven by the significant move in the NZ 10-year bond back down from 5.34% to 4.38% at year-end. This strong performance across the period beat that of our local market with the NZX50 Gross Index up +4.2% for the quarter.

However, NZ underperformed our Australian and international property peers with the S&P/ASX200 A-REIT Accumulation Index gaining a remarkable +16.6% and the global FTSE EPRA/NAREIT Index almost matching it to be up +14.8% for the quarter. These performances were largely driven by broad-based relief rallies in December based on expectations that rate cuts could come sooner than previously expected.

Performance of the key NZ REITs over the quarter was fairly dispersed with a wide range between the leader Stride (SPG, +15.3%) and the laggard Investore (IPL, -3.3%) returning the only negative performance – interestingly both are managed by the same management team. Amongst the smaller vehicles Winton (WIN, +24.4%) stood out with another strong quarter.

November saw six of the REITs reporting interim results and in preparation we received valuation updates from a handful of them. Unsurprisingly they all showed declines – as did those released with results – with a range of 20-55 basis points in cap rate expansion. The results themselves were all broadly as expected with rental growth again being offset by higher interest expenses. Of note, IPL cut their dividend guidance and Kiwi Property (KPG, +5.5%) provided further detail on their plans for Drury.

There were a handful of asset sales as REITs continued to support their balance sheet by selling those assets that least fit their strategy and can be sold as close to valuation as possible. Argosy (ARG, +1.7%) sold a $38m property at valuation – although it appears to have a releasing opportunity in the near term. Property For Industry (PFI, +1.0%) sold two assets in October (one in line with valuation, the other at a large discount) and purchased a large parcel of land at a future West Auckland industrial estate – the cash cost of it is staged so it is a relatively capital-light growth option for them. Precinct (PCT, +11.7%) sold the Mason Bros building in its Wynyard Quarter precinct for $50m – they also, as expected, secured the rights to purchase Downtown Carpark in Auckland for redevelopment.

Salt Enhanced Property Fund Commentary

The fund slightly outperformed the very strong market performance over the quarter by ten basis points, returning +6.58% for investors with the S&P/NZX All Real Estate Gross Index up +6.48%.

Outperformance this quarter was driven by our sizable position in GDI Property (GDI, +26.2%) which offset the underperformance from our underweights in PCT and GMT, and our Australian shorts – both groups naturally underperforming given the strength in the overall market.

Our underweight in IPL added relative performance as the only NZ REIT with negative returns in the quarter – we took advantage of this weakness and closed off some of the underweight in early December before it lifted over 10% from its lows. Our smaller Australian positions in Servcorp (SRV, +9.1%), RAM Essential Services Fund (REP, +7.3%), and Elanor Commercial Property Fund (ECF, +4.2%) were the other positive active return drivers.

Over the quarter we have continued to actively engage with the Chairs and Management teams of companies with respect to two separate opportunities where we see ways further value could be created for shareholders. These proactive and collaborative engagements are an essential part of our investment process.

At month-end, we estimate that the Fund offers a year-ahead gross dividend yield of 6.6% to a NZ investor.

Nicholas Falconer, MBA